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November 8, 2019

## CONSOLIDATED EARNINGS REPORT FOR THE SECOND QUARTER OF FISCAL 2019 [Japanese GAAP]

**Company Name:** BML, Inc.  
**Stock Listing:** Tokyo Stock Exchange  
**Stock Code:** 4694  
**URL:** <http://www.bml.co.jp>  
**Representative:** Kensuke Kondo, President and Representative Director  
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**Scheduled Date for Filing of Quarterly Report:** November 14, 2019  
**Scheduled Date for Payment of Dividends:** December 3, 2019  
**Creation of Supplementary Explanatory Materials:** Yes  
**Holding of Explanatory Meeting:** Yes

(Rounded down to nearest million yen)

**1. Results for the Second Quarter of Fiscal 2019 (April 1, 2019–September 30, 2019)****(1) Consolidated Business Results**

(% indicates year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
2Q of FY2019	61,908	5.3	6,197	6.6	6,415	7.7	4,071	9.5
2Q of FY2018	58,797	1.5	5,814	1.5	5,957	0.5	3,719	0.0

(Note) Comprehensive income: 2Q of FY2019 ¥4,346 million / 11.4% 2Q of FY2018 ¥3,900 million / -5.7%

	Profit attributable to owners of parent per share Yen	Profit attributable to owners of parent per share (diluted) Yen
2Q of FY2019	95.58	95.45
2Q of FY2018	87.33	87.20

**(2) Consolidated Financial Position**

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)
As of September 30, 2019	120,308	84,561	66.8
As of March 31, 2019	115,972	81,127	66.5

Reference: Equity capital: As of September 30, 2019 ¥80,423 million As of March 31, 2019 ¥77,073 million

**2. Dividends**

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2018	—	19.00	—	19.00	38.00
Fiscal 2019	—	20.00			
Fiscal 2019 (forecast)			—	25.00	45.00

(Note) Revision of dividend projection from recently announced figures: None

**3. Consolidated cumulative earnings forecast for the fiscal year ending March 31, 2020 (April 1, 2019–March 31, 2020)**

(% indicates year-on-year changes)

	Net Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	Yen
Full year	120,100	2.5	10,600	1.4	11,100	2.0	6,800	2.3	159.63

(Note) Revision from recently projected results: None

**\* Notes**

**(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): None**

Increases: –                      Decreases: –

**(2) Adoption of specific accounting methods in preparing quarterly financial statements: None**

**(3) Changes in accounting policies, accounting estimates and restatements**

- 1) Changes in accounting policies in conjunction with revisions to accounting standards: None
- 2) Other changes: None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

**(4) Number of outstanding stocks (common stock)**

a. Number of outstanding stocks at the end of the fiscal year (treasury stocks included)

As of September 30, 2019	44,014,726	As of March 31, 2019	44,014,726
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b. Number of treasury stocks at the end of period

As of September 30, 2019	1,401,015	As of March 31, 2019	1,417,463
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c. Average number of shares during the period

2Q ended September 30, 2019	42,601,971	2Q ended September 30, 2018	42,583,786
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\* The quarterly financial results are not subject to quarterly review by a certified public accountant or an audit firm.

\* Disclaimer regarding appropriate use of forecasts and related points of note

Earnings forecasts contained in these materials are based on certain assumptions judged to be reasonable and on the information available when the forecasts were made. However, the Company makes no guarantee that these forecasts will be achieved. Actual results may differ significantly from the forecasts due to a variety of factors. Please refer to “(3) Consolidated earnings forecasts and others” under “1. Qualitative information on operating results for quarter under review” on page 5 of this earnings report concerning financial forecasts such as the assumptions used for financial forecasts, factors that could cause these assumptions to change, and cautionary notes.

## **1. Qualitative information on operating results for quarter under review**

### **(1) Operating results**

In the second quarter of the consolidated fiscal year under review, the Japanese economy made a modest recovery as corporate earnings and employment conditions continued to improve, but the outlook was still not clear given concerns regarding foreign economies.

Under these circumstances, the contract clinical testing business continues to encounter a harsh business environment due to persisting competition among companies, despite market growth.

In these conditions, net sales for the second quarter of the fiscal year under review were ¥61,908 million, an increase of 5.3% year on year, and operating income was ¥6,197 million, an increase of 6.6% year on year. Ordinary income increased at 7.7% year on year to ¥6,415 million, and profit attributable to owners of parent increased 9.5% to ¥4,071 million.

Conditions by business segment are described below.

In the clinical testing business, the BML Group strengthened efforts for new customer acquisition. In addition, we sought to enhance performance, carrying out marketing to stimulate increased sales for new testing items, unique testing items, priority testing items, and other strategies. Moreover, the Company acquired shares of The Tohkai Cytopathology Institute as part of the BML Group strategy, and made it a consolidated subsidiary of the Company from the current fiscal year. As a result, net sales in the clinical testing business increased 5.5% year on year.

In the food hygiene business, which belongs to the other testing business, the new customer acquisition of food consulting and intestinal bacteria testing was solid and JFS standard certification operations increased with mandatory implementation of HACCP at BML Food Science Solutions, Inc. This resulted in good performance overall. As a result, sales in the other testing business increased 9.1% year on year.

As a consequence of the above, net sales in the testing business overall were ¥58,966 million, an increase of 5.6% year on year.

In the medical informatics business, competition among companies is becoming harsh in tandem with the widespread use of electronic cloud-based patient chart systems. As a result, net sales in the medical informatics business decreased by 2.4% year on year. With sights set on launching commercial sales, the Company is preparing for pilot operations of an electronic cloud-based patient chart system.

In other businesses, the Okayama Medical Laboratory Company's dispensing pharmacy business showed solid performance, with the rebound from the impact of the torrential rains in western Japan in the summer of the previous fiscal year and an increase in prescriptions for a high-cost hepatitis C drug contributing to higher sales. As a result, sales in other businesses increased 4.3% year on year.

In terms of profits, operating income increased 6.6% year on year. Although the Company has been carrying out initiatives geared toward reforming working styles as initially planned, in addition to implementing other initiatives that involve upgrading remuneration and benefits for younger employees and further improving the workplace and strengthening disaster countermeasures, some personnel measures were delayed.

## **(2) Financial position**

### **(a) Assets, liabilities and net assets**

At the end of the second quarter of the consolidated fiscal period under review, total assets amounted to ¥120,308 million, a ¥4,336 million increase over the end of the previous fiscal year. Net assets totaled ¥84,561 million, up ¥3,443 million over the end of the previous fiscal year, and the equity ratio was 66.8%, a 0.3% increase over the end of the previous fiscal year.

As for the main items contributing to increases or decreases, in the assets section, under current assets, cash and deposits increased ¥2,253 million and notes and accounts receivable–trade increased ¥1,173 million. In the liabilities section, notes and accounts payable–trade increased ¥1,167 million. In the net assets section, retained earnings increased ¥3,262 million.

### **(b) Cash flows**

Cash and cash equivalents on September 30, 2019, increased ¥4,200 million from September 30, 2018, to ¥51,149 million. The cash flow position and factors behind changes for each type of activity are as follows.

Operating activities provided net cash of ¥6,671 million, ¥39 million less than in the same period a year earlier.

Investing activities used net cash of ¥3,358 million, ¥1,451 million more than in the same period a year earlier. This was due primarily to a ¥296 million increase in payments into time deposits and a ¥481 increase in purchase of property, plant and equipment.

Financing activities used net cash of ¥1,636 million, ¥102 million more than in the same period a year earlier.

## **(3) Consolidated earnings forecast and others**

The Company has not revised its initial forecasts for consolidated results for the full year ending March 31, 2020.

## 2. Consolidated financial statements and important notes

### (1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	51,892	54,145
Notes and accounts receivable–trade	21,595	22,769
Merchandise and finished goods	315	158
Work in process	545	583
Raw materials and supplies	2,230	2,260
Other current assets	1,170	1,048
Allowance for doubtful accounts	(69)	(39)
Total current assets	77,679	80,926
Non-current assets		
Property, plant and equipment		
Land	13,062	13,557
Others, net	15,872	15,994
Total property, plant and equipment	28,934	29,552
Intangible assets		
Other intangible assets	3,567	4,050
Total intangible assets	3,567	4,050
Investments and other assets		
Other	5,881	5,868
Allowance for doubtful accounts	(91)	(88)
Total investments and other assets	5,790	5,779
Total non-current assets	38,292	39,381
Total assets	115,972	120,308

	As of March 31, 2019	As of September 30, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable–trade	15,023	16,191
Income tax payable	1,978	1,960
Provision for bonuses	3,194	3,178
Other current liabilities	7,928	7,706
<b>Total current liabilities</b>	<b>28,125</b>	<b>29,036</b>
<b>Non-current liabilities</b>		
Provision for directors’ retirement benefits	215	217
Net defined benefit liability	3,917	3,802
Other non-current liabilities	2,586	2,691
<b>Total non-current liabilities</b>	<b>6,719</b>	<b>6,711</b>
<b>Total liabilities</b>	<b>34,844</b>	<b>35,747</b>
<b>Net assets</b>		
<b>Shareholders’ equity</b>		
Capital stock	6,045	6,045
Capital surplus	6,685	6,711
Retained earnings	64,623	67,886
Treasury stock	(1,149)	(1,136)
<b>Total shareholders’ equity</b>	<b>76,205</b>	<b>79,506</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	488	577
Remeasurements of defined benefit plans	378	339
<b>Total accumulated other comprehensive income</b>	<b>867</b>	<b>916</b>
Subscription rights to shares	70	66
Non-controlling interests	3,983	4,070
<b>Total net assets</b>	<b>81,127</b>	<b>84,561</b>
<b>Total liabilities and net assets</b>	<b>115,972</b>	<b>120,308</b>

**(2) Consolidated statements of income and consolidated statements of comprehensive income****Consolidated statements of income**

April 1, 2019 – September 30, 2019

(millions of yen)

	2nd Quarter Ended September 30, 2018 (April 1, 2018 to September 30, 2018)	2nd Quarter Ended September 30, 2019 (April 1, 2019 to September 30, 2019)
Net sales	58,797	61,908
Cost of sales	37,023	39,484
Gross profit	21,774	22,423
Selling, general and administrative expenses	15,959	16,226
Operating income	5,814	6,197
Non-operating income		
Real estate rent	28	31
Royalty income	26	61
Other	124	167
Total non-operating income	179	260
Non-operating expenses		
Interest expense	18	18
Rent cost of real estate	14	14
Other	3	8
Total non-operating expenses	36	41
Ordinary income	5,957	6,415
Extraordinary income		
Gain on sales of non-current assets	4	2
Gain on sales of investment securities	-	1
Other	-	0
Total extraordinary income	4	4
Extraordinary losses		
Loss on retirement of non-current assets	6	14
Other	3	3
Total extraordinary losses	9	17
Profit before income taxes	5,952	6,402
Income taxes—current	1,929	1,979
Income taxes—deferred	83	124
Total income taxes	2,012	2,104
Profit	3,939	4,297
Profit attributable to non-controlling interests	220	226
Profit attributable to owners of parent	3,719	4,071

**Consolidated statements of comprehensive income**

April 1, 2019 – September 30, 2019

	(millions of yen)	
	2nd Quarter Ended September 30, 2018 (April 1, 2018 to September 30, 2018)	2nd Quarter Ended September 30, 2019 (April 1, 2019 to September 30, 2019)
Profit	3,939	4,297
Other comprehensive income		
Valuation difference on available-for-sale securities	(11)	88
Remeasurements of defined benefit plans, net of tax	(27)	(39)
Total other comprehensive income	(39)	48
Comprehensive income	3,900	4,346
Breakdown		
Comprehensive income attributable to owners of parent	3,681	4,121
Comprehensive income attributable to non-controlling interests	219	225

**(3) Consolidated statements of cash flows**

(millions of yen)

	2nd Quarter Ended September 30, 2018 (April 1, 2018 to September 30, 2018)	2nd Quarter Ended September 30, 2019 (April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Profit (loss) before income taxes	5,952	6,402
Depreciation	2,394	2,404
Interest expenses	18	18
Decrease (increase) in notes and accounts receivable–trade	(719)	(1,104)
Decrease (increase) in inventories	(22)	95
Increase (decrease) in notes and accounts payable–trade	658	1,140
Other, net	244	(390)
Subtotal	8,526	8,566
Interest expenses paid	(18)	(18)
Income taxes paid	(1,881)	(2,019)
Other proceeds	85	143
Net cash provided by (used in) operating activities	6,711	6,671
Cash flows from investing activities		
Payments into time deposits	(1,799)	(2,096)
Proceeds from withdrawal of time deposits	1,715	1,796
Purchase of property, plant and equipment	(1,161)	(1,642)
Purchase of intangible assets	(581)	(636)
Other, net	(81)	(779)
Net cash provided by (used in) investing activities	(1,907)	(3,358)
Cash flows from financing activities		
Repayments of lease obligations	(668)	(668)
Cash dividends paid	(745)	(809)
Dividends paid to non-controlling interests	(129)	(137)
Other, net	9	(21)
Net cash provided by (used in) financing activities	(1,533)	(1,636)
Net increase in cash and cash equivalents	3,270	1,676
Cash and cash equivalents at beginning of period	43,679	49,204
Increase in cash and cash equivalents from newly consolidated subsidiary	-	268
Cash and cash equivalents at the end of period	46,949	51,149

#### (4) Notes on operating results for quarter under review

(Notes on premise of going concern)

First six months of the fiscal year ending March 31, 2020 (April 1, 2019 to September 30, 2019)

None

(Notes on significant changes in the amount of shareholders' equity)

First six months of the fiscal year ending March 31, 2020 (April 1, 2019 to September 30, 2019)

None

### 3. Supplementary information

Breakdown of sales

Testing		2Q of FY2018 (April 1, 2018 to September 30, 2018)		2Q of FY2019 (April 1, 2019 to September 30, 2019)		Change (%)
		¥ Million	% of total	¥ Million	% of total	
Testing business	Clinical testing business					
	Biochemical tests	23,565	40.1	24,410	39.4	3.6
	Hematological tests	4,977	8.5	5,123	8.3	2.9
	Immunological tests	11,961	20.3	12,979	21.0	8.5
	Microbiological tests	3,361	5.7	3,486	5.6	3.7
	Pathological tests	3,821	6.5	4,378	7.1	14.6
	Other tests	6,042	10.3	6,295	10.1	4.2
	(Clinical testing business subtotal)	53,730	91.4	56,673	91.5	5.5
	Other testing business	2,101	3.6	2,293	3.7	9.1
Testing business subtotal	55,832	95.0	58,966	95.2	5.6	
Medical informatics business	2,251	3.8	2,197	3.6	(2.4)	
Other businesses	713	1.2	744	1.2	4.3	
Total	58,797	100.0	61,908	100.0	5.3	

(Notes) Consumption taxes are not included in the above amounts.